

Message Text

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53

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 (ISO) W

----- 002027

R 101430Z JUL 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 268

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 5668

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: CRUZEIRO DEVALUATION

REF: BRASILIA 5370

1. ONLY TWELVE DAYS AFTER THE LAST SUCH MOVE, THE CENTRAL BANK ANNOUNCED, EFFECTIVE JULY 8, THE SEVENTH DEVALUATION OF THE CRUZEIRO OF THE YEAR. THE LATEST CHANGE, FOR 0.74 PERCENT, BRINGS THE CUMULATIVE DEVALUATION FOR THE YEAR TO 9.26 PERCENT. THROUGH JULY 9, 1974, THE CRUZEIRO HAD SUFFERED SIX DEVALUATIONS FOR A TOTAL CHANGE OF 10.76 PERCENT. NEW RATES ARE CR\$8.08 PER US DOLLAR FOR BUY AND CR\$8.13 PER US DOLLAR FOR SELL.

2. COMMENT: THE TWELVE-DAY INTERVAL BETWEEN THE SIX AND SEVENTH DEVALUATIONS WAS THE SHORTEST EXPERIENCED SINCE THE SYSTEM OF MINI-DEVALUATIONS WENT INTO EFFECT. THE FACT THAT THE CENTRAL BANK MADE THIS CHANGE SO SOON AFTER THE LAST ONE MAY INDICATE (A) THAT IT

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WANTED TO OFFSET SOME OF THE IMPACT OF THE LONG

INTERVAL (43 DAYS) BETWEEN THE FIFTH AND SIXTH
DEVALUATIONS AND (B) THAT IT WISHED TO MAINTAIN
THE ELEMENT OF UNPREDICTABILITY IN THE SYSTEM (ALTHOUGH THE
MARKETS WERE REPORTEDLY EXPECTING AN EARLY CHANGE
IN THE RATE).
CRIMMINS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, DEVALUATIONS, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BRASIL05668
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750238-1108
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750766/aaaacgvdtel
Line Count: 67
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BRASILIA 5370
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2003 by CunninFX>; APPROVED <25 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CRUZEIRO DEVALUATION
TAGS: EFIN, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006